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SUBJECT: SW CHINA OFFICIALS SEEK GREATER CONTROL OF CLIMATE CHANGE
FUNDING

CHENGDU 00000239 001.2 OF 002

¶1. (U) This cable contains sensitive but unclassified information - not for distribution on the Internet.

¶2. (SBU) Summary. Even as Chinese officials in Beijing discuss national-level climate change initiatives in the run-up to the Copenhagen conference, Sichuan officials have been stymied in efforts to increase provincial authority over the allocation of mitigation funding at the local level. Sichuan established a group of government officials responsible for coordinating climate change efforts at the provincial level, particularly focused on promoting energy conservation through industrial restructuring. These officials are frustrated, however, that they have not been able to decide on the allocation of international funding that Sichuan has received through the Kyoto Protocol's Clean Development Mechanism (CDM) - which may not be a bad thing given the potential for local corruption and interference with national goals for climate change mitigation. Most of the CDM funding in Sichuan has been used to build or renovate hydropower capacity. End Summary.

Provincial Climate Change Organization

¶3. (SBU) Sichuan Province in 2007 established a climate change and environmental leading group (LG), headed by Governor and Deputy Party Secretary Jiang Jufeng, that has responsibility for coordinating the climate change work of 32 government bureaus, according to an official at the Sichuan Province Development and Reform Commission (DRC). The LG formulates and implements emissions reduction policy that is designed to reduce energy consumption and emissions in accordance with national-level goals established during the 11th Five-Year Program (FYP). An important goal established during the 11th FYP calls for a 20-percent reduction in energy consumption per unit of gross domestic product. The LG has focused part of its work on industrial restructuring as a way to reduce energy consumption, particularly in the iron, steel, non-ferrous metals, and chemical industries.

Beijing Controls the Purse Strings, Sichuan Seeks Change

¶4. (SBU) The CDM allows greenhouse gas emitters in developed countries to invest in emissions reduction projects in countries like China, rather than reduce their own emissions. The goal of CDM is to produce a net reduction of greenhouse gasses like carbon dioxide. China's current process for directing CDM dollars requires that the National Development and Reform Commission (NDRC) in Beijing vet and approve all projects, according to the same DRC official. Local businesses can effectively bypass the provincial government and acquire CDM funds through the NDRC approval process. The official went on to say that this process deprives the Sichuan DRC of its ability to provide provincial oversight of the projects.

¶5. (SBU) The DRC official implied that a better funding mechanism would be one under which the Sichuan government had a greater role in the selection of businesses that could apply for funds; local government would also ideally control the allocation of CDM funds. The official said that greater control of funding would bolster the ability of provincial governments to pursue climate change-related mitigation efforts. (Comment: The DRC official did not offer any specific examples of project waste or excess that had occurred due to insufficient provincial oversight. At the same time, the extent that local officials can control the allocation of funding will likely affect their enthusiasm for the process, including local opportunities for corruption. End Comment.)

CHENGDU 00000239 002.2 OF 002

Funds Channeled To Hydropower Projects

¶6. (SBU) Sichuan Province as of mid-2009 had roughly 10 percent of the roughly 2,100 nationally approved CDM projects, according to the DRC official. The overwhelming majority projects involve hydropower, based on Congenoff's review of 180 Sichuan-based projects published by the NDRC. All of 158 "renewable energy" CDM projects in Sichuan focus on the construction, retrofitting, or expansion of dams in the province. The total power output from these projects will total more than 2,900 megawatts (MW), roughly equivalent to three, third-generation nuclear power plants. At least 30 percent of these dam projects have led, or will lead, to the construction of small hydropower facilities with a total installed power generating capacity of 30 MW or less. While Congenoff could not determine the power capacity for about half of the hydropower projects, at least 17 percent of the dams will produce more than 30 MW; some will produce more than 160 MW.

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